

### FLASH NOTE: 50 BPS Cut on Primary Reserve to Benefit BBTN

Yesterday the central bank announced the decision to maintain BI rate at 7.5% as well as lending and deposit facility rates. While BI rate is maintained to upkeep Rupiah stability, the central bank lowered primary reserve rate by 50 bps as a form of easing. This decision will benefit most BUKU I and BUKU II as liquidity is quite tight for those banks, not to mention that JIBOR 6M is currently above 8.0%. As for banks under our coverage, we view BBTN will be benefited from the easing, as LDR was reported at 105% and LFR at 91% as of 9M15. The 50 bps cut on primary reserve adds an additional room amounted to roughly IDR 720 bn that the bank can disburse (with no additional funding), and still have relatively the same liquidity ratios.

As for the share performances, we view this news will greatly impact the share movement. At the end of every month, every bank releases its monthly performances, with no exception to BBTN. BBTN had always reported a net income growth of above 40% YoY for 9 consecutive times. However, the impact of well-above-average performances has diminishing returns as liquidity gets tighter. On the other hand, whenever Bank Tabungan gets additional funding, market reacts positively, which helped the share performance. Thus, we view the relaxation on primary reserve will further help the bank's performance and ability to support subsidized mortgages. We reiterate our BUY recommendation on PT Bank Tabungan Negara (Persero) Tbk (BBTN) with 52-week target price of IDR 1,420.



Event 1: BBTN signed MOU with ICBC for loan facilities amounted to RMB 5 Bn (IDR 11.4 Tn)

Event 2: BBTN received loan facilities from PP Muhammadiyah amounted to IDR 20 Tn

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